

Message Text

UNCLASSIFIED

PAGE 01 NEW DE 05838 01 OF 02 141309Z
ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
OMB-01 DOE-15 MMO-04 /136 W
-----012127 141400Z /50

P R 141055Z APR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 0914
INFO AMEMBASSY PARIS
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS SECTION 1 OF 2 NEW DELHI 5838

PARIS FOR USOECD ONLY

E.O. 11652: N/A
TAGS: ETRD EAID IN
SUBJECT: INDIAN EXPORT CREDIT SYSTEM

REF: STATE 083355

1. WE ARE SENDING AN INTERIM REPLY PROVIDING AS MUCH INFORMATION
AS AVAILABLE NOW. THIS INFORMATION IS IN THE DESIRED
FORMAT (REFTEL PARA 5) TO THE EXTENT POSSIBLE.

2. EXPORT CREDIT AGENCIES. EXPORT CREDIT, SHORT OR MEDIUM
TERM, IS PROVIDED BY OVER 50 INDIAN AND FOREIGN COMMERCIAL BANKS
WHICH ARE MEMBERS OF THE FOREIGN EXCHANGE DEALERS' ASSOCIATION
OF INDIA (FEDAI). THESE BANKS ARE CONTROLLED AND REGULATED
BY THE RESERVE BANK OF INDIA (RBI) WHICH IS ONLY ADMINISTRATIVELY
LINKED WITH GOI MINISTRY OF FINANCE. ANOTHER GOI AGENCY,
EXPORT CREDIT AND GUARANTEE CORPORATION (ECGC), PROVIDES CREDIT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 05838 01 OF 02 141309Z

INSURANCE AND GUARANTEES FOR COMMERCIAL AND POLITICAL RISKS
TO EXPORTERS DIRECTLY AND ALSO TO COMMERCIAL BANKS THROUGH ITS
VARIOUS POLICIES AND GUARANTEES. ECGC IS A PUBLIC SECTOR
UNDERTAKING OF GOI MINISTRY OF COMMERCE.

3. METHOD OF FINANCING.

A. CREDIT INSURANCE AND GUARANTEES. ECG C IS THE ONLY CREDIT INSURANCE AGENCY. IT BROADLY ISSUES THE FOLLOWING CATEGORIES OF CREDIT INSURANCE COVERS:

- STANDARD POLICIES ISSUED TO EXPORTERS TO PROTECT THEM AGAINST THE RISK OF NOT RECEIVING PAYMENTS FROM THE BUYERS.

- POLICIES DESIGNED TO PROTECT INDIAN FIRMS RENDERING SERVICES TO FOREIGN PARTIES.

- POLICIES DESIGNED TO PROTECT INDIAN FIRMS UNDERTAKING CONSTRUCTION WORKS ABROAD.

- FINANCIAL GUARANTEES TO COMMERCIAL BANKS AGAINST THE RISKS INVOLVED IN EXPORT CREDIT EXTENSION.

B. CREDIT EXTENSION. THE ECGC DOES NOT ITSELF EXTEND CREDITS. ONLY THE COMMERCIAL BANKS EXTEND CREDITS TO SELLERS.

4. SOURCES OF CREDIT. AS MENTIONED ABOVE, THE COMMERCIAL BANKS ARE THE ONLY SOURCE OF EXPORT CREDIT. THE RBI FUNCTIONS AS A REFINANCING INSTITUTION FOR THESE BANKS FOR SHORT TERM LOANS. FOR MEDIUM TERM LOANS, THE INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) IS THE REFINANCING AGENCY. IN CERTAIN CASES THE IDBI ALSO PARTICIPATES WITH COMMERCIAL BANKS IN MEDIUM TERM CREDIT EXTENSION. IN CASE COMMERCIAL BANKS DO NOT WANT TO AVAIL THEM-

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 NEW DE 05838 01 OF 02 141309Z

SELVES OF REFINANCE, THEY ARE ENTITLED TO OBTAIN FROM RBI AN INTEREST RATE SUBSIDY OF 1-1/2 PERCENT PER ANNUM RATE.

5. CHARGES/COSTS.

A. PREMIUM RATES FOR INSURANCE. THESE RATES FOR EXPORTERS RANGE FROM 0.10 TO COVER 1.50 PERCENT OF GROSS INVOICE VALUE, ARE RELATED TO THE RISK INVOLVED AND VARY ACCORDING TO BUYERS' COUNTRIES AND PAYMENT TERMS. AN EXPORTER GETS A QUOTATION FOR HIS BUSINESS BY FILLING IN A CONFIDENTIAL PROPOSAL FORM. ECGC'S PREMIUM RATES FOR COMMERCIAL BANKS FOR PACKING CREDIT ARE 0.075 PERCENT IF THE BANKS COVER ONLY INDIVIDUAL CASES AND 0.035 PERCENT ON WHOLE TURNOVER BASIS I.E., A BANK IS NECESSARILY REQUIRED TO COVER ITS ENTIRE PACKING CREDIT. FOR POST-SHIPMENT CREDIT, THE PREMIUM RATE FOR BANKS TO 0.05 PERCENT. ALL THESE RATES ARE NOT WORKED OUT ON AN ANNUAL BASIS, AND WE ARE NOT AWARE OF ANY GUARANTEE FEE OR COMMITMENT. HOWEVER, ECGC CHARGES EXPORTERS A NON-REFUNDABLE POLICY FEE RANGING FROM RS. 25 TO RS. 200 (DOL1.00 EQ RS. 8.55 FOR IFY 1977-78), DEPENDING UPON THE MAXIMUM LIABILITY OF THE POLICY.

B. INTEREST CHARGES. THE INTEREST RATE FOR EXPORT CREDIT (FOR

BOTH PACKING AND POST SHIPMENT) IS 11.0 PERCENT, EFFECTIVE MARCH 1, 1978, (IT WAS 11.5 BEFORE). HOWEVER, THE MAXIMUM PERIOD FOR WHICH PACKING CREDIT CAN BE GRANTED IS 180 DAYS FOR SPECIFIED MEDIUM AND HEAVY ENGINEERING GOODS AND CONSTRUCTION CONTRACTS ABROAD AND 90 DAYS FOR OTHER EXPORT CATEGORIES. A FURTHER EXTENSION OF 90 DAYS IN FIRST CATEGORY AND 45 DAYS IN SECOND CATEGORY CAN BE GRANTED WITH AN INTEREST RATE OF 13 PERCENT. THE POST-SHIPMENT CREDIT CAN BE GRANTED FOR 120 DAYS IN CASE OF EXPORTS TO THE WESTERN HEMISPHERE AND FOR 90 DAYS FOR OTHER COUNTRIES. COMMERCIAL LENDING RATES (15-16 PERCENT MAXIMUM) ARE CHARGEABLE FOR PERIODS EXCEEDING THE ABOVE LIMITS.

C. TOTAL EFFECTIVE COST. INDIAN EXPORTERS' TOTAL COST CONSISTS UNCLASSIFIED

UNCLASSIFIED

PAGE 04 NEW DE 05838 01 OF 02 141309Z

MAINLY OF TWO ELEMENTS: THE INTEREST RATE, NOW GENERALLY AT 11 PERCENT, AND VARYING PREMIUM RATES OF ECGC.

6. RISKS ASSUMED BY ECGC

A. COMMERCIAL RISKS. ECGC ASSUMES THE FOLLOWING COMMERCIAL RISKS:

- THE INSOLVENCY OF THE BUYER
- THE BUYER'S PROTRACTED DEFAULT TO PAY
- THE BUYER'S NON-ACCEPTANCE OF GOODS (ONLY IN CERTAIN CASES WHEN NON-ACCEPTANCE IS NOT DUE TO THE EXPORTER'S ACTION).

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 NEW DE 05838 02 OF 02 141338Z
ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
OMB-01 DOE-15 MMO-04 /136 W
-----012494 141359Z /50
P R 141055Z APR 78

FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 0000
INFO S/AMEMBASSY PARIS 2248
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS SECTION 2 OF 2 NEW DELHI 5838

PARIS FOR USOECD ONLY

B. POLITICAL RISKS. THE FOLLOWING POLITICAL RISKS RELATING
MOSTLY TO THE BUYERS' COUNTRY ARE COVERED BY ECGC:

- RESTRICTION ON REMITTANCES
- WAR, REVOLUTION OR CIVIL DISTURBANCES
- NEW IMPORT LICENSING RESTRICTIONS OR CANCELLATION OF A VALID
IMPORT LICENSE
- ADDITIONAL HANDLING, TRANSPORT, OR INSURANCE CHARGE DUE
TO INTERRUPTION OR DIVERSION OF VOYAGE WHICH CANNOT BE
RECOVERED FROM THE BUYER
- ANY OTHER CAUSE OF LOSS OCCURRING OUTSIDE INDIA, NOT NORMALLY
INSURED BY COMMERCIAL INSURERS, AND BEYOND THE CONTROL
OF THE SELLER OR BUYER.

C. RISKS NOT COVERED. THESE ARE RISKS OF LOSS DUE TO DISPUTES IN
QUALITY, CAUSES INHERENT IN THE NATURE OF GOODS, A BUYER'S
FAILURE TO OBTAIN IMPORT OR EXCHANGE AUTHORIZATION, SELLER'S
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 05838 02 OF 02 141338Z

OR HIS AGENT'S DEFAULT, AND FLUCTUATIONS IN EXCHANGE RATES. ECGC ALSO

DOES NOT COVER RISKS
WHICH CAN NORMALLY BE INSURED WITH COMMERCIAL INSURERS.

7. SUPPLIER'S PARTICIPATION. ECGC PAYS 90 PERCENT OF THE LOSSES
ON ACCOUNT OF COMMERCIAL AND POLITICAL RISKS AND THE EXPORTER,
10 PERCENT. RECOVERIES MADE AFTER THE PAYMENTS OF CLAIMS ARE
SHRED IN THE SAME PROPORTION. IN CASE OF COMMERCIAL BANKS THIS
PROPORTION IS 75 FOR ECGC AND 25 FOR BANKS.

8. SUPPLEMENTARY INFORMATION. WE WILL SEND THE INFORMATION ON
SUBPARAS G,I,J, K, L AND M IN PARA 5 REFTTEL. WE WOULD APPRECIATE,
HOWEVER, CLARIFICATION OF SUBPARA G - CASH PAYMENTS NORMALLY
SOUGHT, AS A PERCENT OF CONTRACT PRICE. WE ALSO PLAN TO DO A
SEPARATE ANALYSIS OF INDIA'S EXPORT CREDIT SYSTEM.
GOHEEN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, CREDIT
Control Number: n/a
Copy: SINGLE
Draft Date: 14 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE05838
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780160-1076
Format: TEL
From: NEW DELHI
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780457/aaaabwlh.tel
Line Count: 221
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 604da1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: ONLY
Reference: 78 STATE 83355
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2969357
Secure: OPEN
Status: NATIVE
Subject: INDIAN EXPORT CREDIT SYSTEM
TAGS: ETRD, EAID, IN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/604da1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014